

A Hearing in the Finance Subcommittee on Energy

International Perspectives on Alternative Energy Policy:

Incentives and Mandates and their Impacts

Opening Statement of Senator Jeff Bingaman (D-NM), Subcommittee Chairman

Good afternoon.

We open the first hearing in the new Finance Subcommittee on Energy, Natural Resources, and Infrastructure by receiving testimony on International Perspectives on Alternative Energy Policy -- on the successes and difficulties that global incentives have generated in alternative energy markets outside the U.S.

In 2005, with the passage of EPACT, we began the process of developing, through mandates and incentives, a long-term, national energy policy in the U.S. In the Energy Committee, we are again involved in the process of developing that energy policy. As in 2005, both short- and long-term factors must be considered. In the short-term, we must deal with factors that are difficult to predict and control, including

- Weather
- Economic growth
- Real and relative price movements
- Supplies

Although short-term events and factors affect our immediate energy needs, our long-term policy is focused on our 3 primary goals:

- Ensure adequate and affordable supplies of energy
 - from renewable sources as well as oil, gas, coal and nuclear
- Improve the efficiency and productivity of our energy use
- Be mindful of the importance of protecting our environment and addressing global climate issues

And it is these long-term goals that are the focus of the energy tax incentives that have been legislated and extended over the past several years. In current law, we have production tax credits, investment tax credits, accelerated depreciation schedules, deductions for manufacturers, buyers, residents, and builders as well as financing provisions and other measures. Each provision is designed to stimulate supply, increase demand, and/or motivate technology development -- and all are intended to work together to, ultimately, build a market in which there are cost-effective, reliable, and environmentally responsible alternatives to traditional energy supplies.

This is not a simple goal, and the system we have developed to provide incentives to achieve it is not a simple system. Perhaps as a result, we have had many discussions about the manner in which the current law tax incentives have helped, and sometimes hurt, the development of alternative energy production in this country. So as we prepare to address the issue of energy policy and energy taxes again this year, we want to identify those energy tax provisions that have helped us achieve our energy

policy goals, apply these successful concepts to promising new markets, and look to successful markets for new ideas.

In the process of exploring energy tax concepts, we have heard many stories about mature global markets for alternative energy, particularly in the EU and Asia. In meetings and in testimonies, we have heard that many of these economies have been bringing to market breakthrough energy technologies that have been developed in the U.S., at Sandia and other national laboratories. As we embark on further energy legislation, I feel that it is important for us to hear testimony on the incentives, and the mandates, that are driving development in these alternative energy markets overseas. And certainly not every policy has been a success, so we are anxious to learn from the experience of others rather than repeat interim steps to success.

Accordingly, we'd like to use this opportunity to collect information regarding the response of the market, and of manufacturers and producers, to global incentives and mandates, including:

- Alternative energy price supports and other production incentives
- Investment incentives
- Mandates

We look forward to hearing your testimony on your experiences in markets outside the U.S., so that, as we forge ahead in our efforts to build energy security in an environmentally responsible manner, our efforts can be informed by global experience.